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**1992**

# *A*nnual Report

**MTDC**

GOVERNMENT DOCUMENTS  
COLLECTION

JUL 26 1993

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# Report of the Chairman and President

*M*assachusetts Technology Development Corporation completed one of its most successful years in thirteen years of operations, despite a discouraging investment climate for early-stage companies. In the fiscal year ended June 30, 1992, MTDC realized net gains in excess of \$2,600,000, its second-best single-year total.

It closed investments in four companies new to its portfolio: AT/Comm, Inc. of Marblehead; Sensitech, Inc. of Beverly; Symbiotics, Inc. of Cambridge; and Technology Integration, Inc. of Bedford. Shortly after the end of the fiscal year, an investment was closed in Component Software, Inc. of Lexington.

Since the beginning of this decade, MTDC has added ten new companies to its portfolio. Of the ten companies, seven were in the start-up phase of their existence when MTDC made its initial investment. Three were in the early stages of expansion.

These investments enabled MTDC to continue its long-term mission of funding start-up and early-stage companies in the Commonwealth. It was a lonely mission, though, because fewer venture capital firms had focused on early-stage companies over the past two years. Despite success in identifying promising early-stage companies, MTDC and its co-investors have only been able to respond to a relatively small percentage of the many worthy companies currently seeking funding.

MTDC's success is tempered by the serious capital gap in the form of risk financing for early-stage companies. If the Massachusetts economy is going to expand and prosper in the years ahead, new strategies are essen-

tial to increase the amount of patient risk capital for start-up and early-expansion firms.

With this overview as background, we would like to report a few of MTDC's key accomplishments:

## **Funds Committed**

During FY92, MTDC committed a total of \$2,444,000, of which \$1,625,000 was for seven companies new to the MTDC portfolio and \$819,000 was for follow-on investments in seven existing portfolio companies.

## **Exit Strategy and Financial Returns**

As of June 30, 1992, MTDC had exited 32 of the 59 companies in which it had invested. Eleven companies had become publicly traded, eleven had been acquired by other firms, three bought back their securities from MTDC, and seven ceased operations.

MTDC's realized gains in FY92 totaled approximately \$3,151,000. Realized losses totaled approximately \$545,000. The cumulative gains on equity investments since 1980 totaled \$10,462,000, while cumulative losses on both debt and equity investments totaled \$3,686,000, for total net gains of \$6,776,000.

## **Investment Capital**

While MTDC's initial investment capital came from federal and state grants, the Corporation has used gains realized from its past investments—nearly equal to the initial investment capital—as the primary source of additional capital for current and future investments. The following summarizes these investment capital sources as of June 30, 1992:

|   |              |
|---|--------------|
| Economic Development Administration of the U.S. Department of Commerce .. | \$ 2,972,000 |
| Commonwealth of Massachusetts .....                                       | 5,200,000    |
| Gains on previous MTDC investments .....                                  | 7,305,000    |
| Total .....   | \$15,477,000 |

## **Economic Benefits**

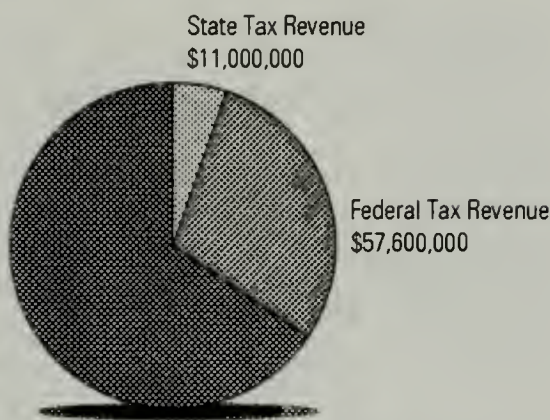
The principal objective of MTDC's Investment Program has been to assist early-stage technology companies to start or expand in Massachusetts so as to encourage the commercialization of technology developed in Massachusetts corporations and research institutions. Success enables the Corporation to replenish the supply of new technology businesses whose growth in employment helps offset the inevitable decline among mature technology companies. Furthermore, these new Massachusetts firms become aggressive competitors in the global marketplace very early in their life cycles.

These early-stage companies provide significant employment growth opportunities and long-term value to the Massachusetts economy. As of December 31, 1991, the 45 active companies in which MTDC had invested employed more than 4,800 people. This employment generated a reported annual payroll of over \$199 million, federal tax revenue of over \$57 million, and state tax revenue of over \$11 million. In addition, these companies annually purchased an estimated \$100 million plus of goods and services. Many of these purchases were from other Massachusetts companies, continuing to prime the local economy.



## EMPLOYMENT

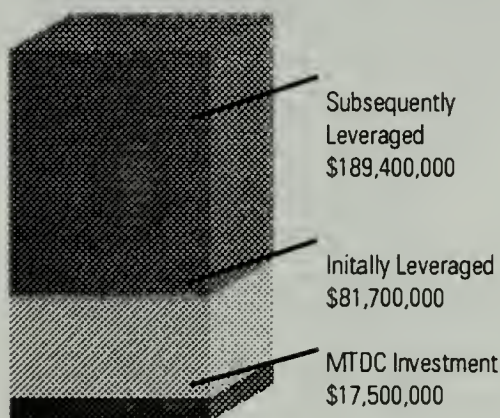
Total Annual Payroll: \$199,000,000



Another economic benefit has been the significant amount of private co-investment that MTDC's Investment Program has leveraged. Through June 30, 1992, MTDC's cumulative investment of approximately \$17.5 million had leveraged an estimated \$81.7 million at the time of initial investment. Subsequently, these companies raised an estimated additional \$189.4 million.

## INVESTMENT DOLLARS

Total Investment: \$288,600,000



MTDC has another less obvious mission as well—to provide management assistance to Massachusetts early-stage technology companies. The entrepreneurs launching these firms are usually experienced technologists, but inexperienced business people. Therefore, MTDC's Management Assistance Program

focuses on strategies to increase the visibility and successful presentation of these companies to potential investors. During FY92, MTDC devoted considerable time and energy to Management Assistance activities. Among the major efforts have been: assisting in case identification and presentation at the MIT Enterprise Forum, co-sponsoring the Venture Capital Network, providing leadership and support to the Executive Committee of the Worcester Polytechnic Institute (WPI) Venture Forum, assisting the Secretary of Economic Affairs with a task force looking at the bank credit crisis, and playing a critical leadership role with the Smaller Business Association of New England (SBANE). These activities have enabled MTDC to nurture entrepreneurship and foster the development of innovative early-stage businesses in the Commonwealth.

## MTDC Board of Directors

This year has been marked by several transitions among the Board of Directors. David Wormley, former Chairman, resigned after 7 years of outstanding service when he left Massachusetts to become Dean of the School of Engineering at Pennsylvania State University. Timothy McNeill resigned after more than 8 years of dedicated service. Mary Makela resigned after more than 4 years of distinguished service to become Chief Executive Officer of IMC Systems Group, Inc., an MTDC portfolio company.

We would like to extend our gratitude to Messrs. Wormley and McNeill and to Ms. Makela for their time, energy and wisdom.

Andrew Mills was elected Vice Chairman and assumed the duties of interim Chairman of the Board.

Michael Crossen, Esquire, of Rubin & Rudman, and Paul Severino, President of Wellfleet Communications, Inc., joined the Board. Messrs. Mills, Crossen and Severino were all appointed by Governor Weld.

## Conclusion

MTDC continues to play a unique role in the economic development mission of the Commonwealth. By continuing to focus on financing start-up and early-stage technology companies, MTDC remains committed to these investments at a time when most other venture capital firms are not supporting this area. It is thus continuing to deal with the capital gap that it was originally created to address in 1978.

The financial performance of the MTDC investment portfolio over the last thirteen years has given the Corporation sufficient strength to continue to perform its unique role. During FY92, MTDC experienced the second most successful year in its history in terms of realized gains. This has enabled it to replenish the investment fund with proceeds from these gains after meeting operating expenses. By steadily pursuing its long-term investment strategy and its Management Assistance Program, MTDC will continue to successfully serve its shareholders, the citizens of the Commonwealth, into the next century.

Andrew G. Mills  
Vice Chairman

John F. Hodgman  
President

# Independent Auditors' Report

**Deloitte &  
Touche**



## **Massachusetts Technology Development Corporation:**

*W*e have audited the accompanying balance sheets of Massachusetts Technology Development Corporation as of June 30, 1992 and 1991, and the related statements of revenues, expenses, and changes in fund balances, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Massachusetts Technology Development Corporation as of June 30, 1992 and 1991, and its revenues, expenses, and changes in fund balances and its cash flows for the years then ended in conformity with generally accepted accounting principles.

*Deloitte & Touche*

Boston, Massachusetts  
August 11, 1992



# Financial Statements

## Balance Sheets

June 30, 1992 and 1991

| ASSETS   | Notes   | 1992         | 1991         |
|--|---------|--------------|--------------|
| GENERAL SUPPORT:   |         |              |              |
| Cash, cash equivalents and short-term investments.....   | 2, 4    | \$ 97,215    | \$ 190,577   |
| Interest receivable.....   |         | 32,569       | 42,614       |
| Other receivables .....  |         | 234,124      | 38,250       |
| Prepaid expenses and deposits.....   |         | 26,245       | 26,794       |
| Leasehold improvements and office equipment – at cost,<br>less accumulated depreciation and amortization<br>of \$119,266 in 1992 and \$108,256 in 1991 ..... | 2       | 27,896       | 18,699       |
| Restricted cash, cash equivalents and<br>short-term investments .....  | 2, 4, 6 | 1,000,000    | 858,437      |
| Total general support .....  |         | 1,418,049    | 1,175,371    |
| RESTRICTED FOR INVESTMENT PROGRAMS:  |         |              |              |
| Cash, cash equivalents and short-term investments.....   | 2, 4    | 3,515,077    | 2,525,870    |
| Account receivable .....   |         | 500,000      |              |
| Investments .....  | 2, 3    | 7,776,577    | 7,510,789    |
| Total restricted .....   |         | 11,791,654   | 10,036,659   |
| TOTAL ASSETS .....   |         | \$13,209,703 | \$11,212,030 |

## LIABILITIES AND FUND BALANCES

|   |   |              |              |
|---|---|--------------|--------------|
| GENERAL SUPPORT:                          |   |              |              |
| Accrued liabilities .....                 |   | \$ 104,045   | \$ 79,898    |
| Fund balance.....                         |   | 1,314,004    | 1,095,473    |
| Total general support.....                |   | 1,418,049    | 1,175,371    |
| RESTRICTED FOR INVESTMENT PROGRAMS –      |   |              |              |
| Fund balance.....                         | 3 | 11,791,654   | 10,036,659   |
| TOTAL LIABILITIES AND FUND BALANCES ..... |   | \$13,209,703 | \$11,212,030 |

See notes to financial statements

## Statements of Revenues, Expenses, and Changes in Fund Balances

Years Ended June 30, 1992 and 1991

|   |       | 1992            |                  | 1991            |                  |
|---|-------|-----------------|------------------|-----------------|------------------|
|   | Notes | General Support | Restricted Funds | General Support | Restricted Funds |
| REVENUES:                                     |       |                 |                  |                 |                  |
| Gains on equity investments .....             | 2     | \$3,150,935     |                  | \$1,009,500     |                  |
| Interest earned.....                          | 2     | 320,371         |                  | 409,361         |                  |
| Management fee income .....                   | 9     | 60,000          |                  | 60,000          |                  |
| Gain on disposition of office equipment ..... |       |                 |                  | 2,906           |                  |
| Miscellaneous .....                           |       | 5,524           |                  | 3,559           |                  |
| Total revenues .....                          |       | 3,536,830       |                  | 1,485,326       |                  |
| EXPENSES –                                    |       |                 |                  |                 |                  |
| General support .....                         | 5     | 1,018,299       |                  | 936,063         |                  |
| RECOGNIZED LOSSES ON INVESTMENTS.....         | 2     |                 | \$ (545,005)     |                 | \$ (898,957)     |
| EXCESS (DEFICIENCY)                           |       |                 |                  |                 |                  |
| OF REVENUES OVER EXPENSES .....               |       | 2,518,531       | (545,005)        | 549,263         | (898,957)        |
| INTERFUND TRANSFER .....                      | 6     | (2,300,000)     | 2,300,000        | (500,000)       | 500,000          |
| FUND BALANCES,                                |       |                 |                  |                 |                  |
| BEGINNING OF YEAR.....                        |       | 1,095,473       | 10,036,659       | 1,046,210       | 10,435,616       |
| FUND BALANCES,                                |       |                 |                  |                 |                  |
| END OF YEAR.....                              |       | \$1,314,004     | \$11,791,654     | \$1,095,473     | \$10,036,659     |

See notes to financial statements

## Statements of Cash Flows

Years Ended June 30, 1992 and 1991

|  | 1992                                |                    |  | 1991                                |                  |  |
|--|-------------------------------------|--------------------|--|-------------------------------------|------------------|--|
|  | — General Support —<br>Unrestricted | Restricted         | Restricted for<br>Investment<br>Programs | — General Support —<br>Unrestricted | Restricted       | Restricted for<br>Investment<br>Programs |
| CASH FLOWS FROM GENERAL<br>SUPPORT ACTIVITIES:   |                                     |                    |  |                                     |                  |  |
| Excess of revenues over expenses.....  | <u>\$ 2,518,531</u>                 |                    |  | <u>\$ 549,263</u>                   |                  |  |
| Adjustments to reconcile excess of<br>revenues over expenses to net cash<br>used for General Support activities: |                                     |                    |  |                                     |                  |  |
| Gains on sales of investments.....   | (3,150,935)                         |                    |  | (1,009,500)                         |                  |  |
| Gain on disposal of office equipment .....   |                                     |                    |  | (2,906)                             |                  |  |
| Depreciation and amortization .....  | 15,795                              |                    |  | 20,962                              |                  |  |
| Increase (decrease) in cash from:  |                                     |                    |  |                                     |                  |  |
| Interest receivable .....  | 10,045                              |                    |  | (3,883)                             |                  |  |
| Other receivables.....   | (195,874)                           |                    |  | (38,250)                            |                  |  |
| Prepaid expenses and deposits.....   | 549                                 |                    |  | (17,055)                            |                  |  |
| Accrued liabilities.....   | <u>24,147</u>                       |                    |  | <u>(3,588)</u>                      |                  |  |
| Total adjustments .....  | <u>(3,296,273)</u>                  |                    |  | <u>(1,054,220)</u>                  |                  |  |
| Net cash used for General Support activities..   | <u>(777,742)</u>                    |                    |  | <u>(504,957)</u>                    |                  |  |
| CASH FLOWS FROM NONCAPITAL<br>FINANCING ACTIVITY -   |                                     |                    |  |                                     |                  |  |
| Interfund transfer .....   | <u>(2,441,563)</u>                  | <u>\$ 141,563</u>  | <u>\$2,300,000</u>                       | <u>(500,000)</u>                    |                  | <u>\$ 500,000</u>                        |
| CASH FLOWS FROM CAPITAL ACTIVITIES:  |                                     |                    |  |                                     |                  |  |
| Expenditures for office equipment.....   | (24,992)                            |                    |  |                                     |                  |  |
| Proceeds from disposal of office equipment ..  |                                     |                    |  | <u>4,973</u>                        |                  |  |
| Net cash provided by (used for)<br>capital activities.....   | <u>(24,992)</u>                     |                    |  | <u>4,973</u>                        |                  |  |
| CASH FLOWS FROM RESTRICTED FOR<br>INVESTMENT PROGRAMS ACTIVITIES:  |                                     |                    |  |                                     |                  |  |
| Purchases of investments .....   |                                     |                    | (1,553,064)                              |                                     |                  | (1,301,257)                              |
| Proceeds from the sale of investments:   |                                     |                    |  |                                     |                  |  |
| Gains .....  | 3,150,935                           |                    |  | 1,009,500                           |                  |  |
| Costs recovered .....  |                                     |                    | 304,774                                  |                                     |                  | 455,289                                  |
| Principal repayments .....   |                                     |                    | 437,497                                  |                                     |                  | 226,907                                  |
| Increase in account receivable .....   |                                     |                    | <u>(500,000)</u>                         |                                     |                  |  |
| Net cash provided by (used for) Restricted<br>for Investment Programs activities.....                            | <u>3,150,935</u>                    |                    | <u>(1,310,793)</u>                       | <u>1,009,500</u>                    |                  | <u>(619,061)</u>                         |
| NET INCREASE (DECREASE) IN CASH, CASH<br>EQUIVALENTS AND SHORT-TERM INVESTMENTS..                                | <u>(93,362)</u>                     | <u>141,563</u>     | <u>989,207</u>                           | <u>9,516</u>                        |                  | <u>(119,061)</u>                         |
| CASH, CASH EQUIVALENTS AND SHORT-TERM<br>INVESTMENTS, BEGINNING OF YEAR .....                                    | <u>190,577</u>                      | <u>858,437</u>     | <u>2,525,870</u>                         | <u>181,061</u>                      | <u>\$858,437</u> | <u>2,644,931</u>                         |
| CASH, CASH EQUIVALENTS AND SHORT-TERM<br>INVESTMENTS, END OF YEAR .....  | <u>\$ 97,215</u>                    | <u>\$1,000,000</u> | <u>\$3,515,077</u>                       | <u>\$ 190,577</u>                   | <u>\$858,437</u> | <u>\$2,525,870</u>                       |

See notes to financial statements



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## Notes to Financial Statements

Years Ended June 30, 1992 and 1991

### 1. Organization and Operations

Massachusetts Technology Development Corporation was established by the Commonwealth of Massachusetts on October 19, 1978, pursuant to Chapter 293A of the Massachusetts General Laws. The Corporation is to provide financial and other assistance to small businesses with the potential to expand and generate new jobs and tax revenue. The Corporation consists of eleven members, eight of whom are appointed by the Commonwealth and three are public officials.

The Corporation is the successor to the Massachusetts State Technology Development Corporation (which was dissolved) and assumed all rights, assets and liabilities of the Corporation. Appropriations from the Commonwealth were a significant source of funds for the Corporation. In 1988, the Corporation and the Commonwealth set up a separate fund for funds appropriated since inception. Since 1988, the Corporation has been operating on past investments.

### 2. Summary of Significant Accounting Policies

The financial statements of the Corporation have been prepared in accordance with the accounting principles as applied to government units. The Governmental Accounting Standards Board is the setting body for establishing governmental accounting standards. The Corporation's accounting policies are described below.

**Fund Accounting** Proprietary funds are used to account for the determination of net income is necessary or useful to the Corporation.

**Basis of Accounting** All proprietary funds are accounted for on the accrual basis. For this measurement focus, all assets and all liabilities associated with the fund are recorded on the balance sheet. Fund balances (i.e., net total assets) are reported in the statement of fund balances. Proprietary fund-type operating expenses (e.g., expenses) are reported in net total assets.

The accrual basis of accounting is utilized for all funds. Revenues and expenses are recorded at the time the related liability is incurred.

**Cash and Cash Equivalents** The Corporation considers all highly liquid investments with a maturity of three months or less, to be cash equivalents.

**Short-Term Investments** Short-term investments are those investments with a maturity of one year or less and are valued at cost, which approximates market value. There were no short-term investments as of June 30, 1992 and 1991, respectively.

**Property and Equipment** Property and equipment are stated at cost less accumulated depreciation over the estimated useful lives of the related assets.

**Investments** The Corporation's investment securities are held in a vault at a financial institution. These investments are reported at fair value.

Investments, consisting of notes receivable and investments in equity securities, are reported at cost. Investments are not marketable and are recorded at cost. In the opinion of management, there was no impairment of cost at June 30, 1992 and 1991. Upon the occurrence of an event that would require an adjustment of cost, the Corporation would adjust the cost of the investment to fair value.

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## Notes to Financial Statements

### 2. Summary of Significant Accounting Policies (CONTINUED)

**Investments** (CONTINUED) is determined to be other than temporary, the investment is written down and an investment loss is recognized. Interest earned is credited to the Corporation's General Support Fund. Gains on investments are credited to the Corporation's General Support Fund when realized, and losses are charged against Restricted Fund balances. Repayments of principal and proceeds from the sale of equity investments (to the extent of the cost basis) remain in funds restricted for investment programs. During the years ended June 30, 1992 and 1991, the Corporation realized gains on sales of investments totaling \$3,150,935 and \$1,009,500, respectively. For the years ended June 30, 1992 and 1991, the Corporation charged \$545,005 and \$898,957, respectively, against restricted funds as losses on investments.

**Income Taxes** The Corporation, as an instrumentality of the Commonwealth, is not subject to federal or state income taxes.

### 3. Investment Programs

**Sources of Funds** The Corporation's original investment funds were provided in 1979 by a \$2,000,000 grant (including \$28,000 in start-up costs) from the Economic Development Administration (EDA), U.S. Department of Commerce. Under this grant, the Corporation makes loans from a revolving loan fund to eligible borrowers, defined as Massachusetts-based businesses with operations involving a significant amount of technology, which are located in EDA Title IV redevelopment areas and which meet the requirements of the Corporation's enabling act.

During the year ended June 30, 1981, the Corporation was awarded a \$1,000,000 grant under the Corporations for Innovation Development (CID) program of the U.S. Department of Commerce. The grant award is for the purpose of establishing a second revolving loan fund to assist in the creation and development of small, innovative high technology companies in Massachusetts. In addition, the Commonwealth of Massachusetts appropriated \$1,000,000 to the Corporation as matching funds for the federal grant. The Commonwealth appropriation is restricted to equity investments.

Each year from fiscal years 1982 to 1988, the Commonwealth of Massachusetts appropriated additional amounts to augment the Corporation's investment fund. Since fiscal year 1988, no such appropriations have been made. At June 30, 1992, the cumulative amount of these appropriations totaled \$4,200,000.

Under the terms of the grants of investment funds from the Federal Government and the Commonwealth, principal repayments and costs recovered are returned to the Restricted for Investment Programs Fund to be reinvested in accordance with the criteria required by the grants' provisions and the Corporation's enabling legislation and policies. In addition, the Board of Directors of the Corporation has transferred approximately \$7,305,000 cumulatively through fiscal year 1992 to the Restricted for Investment Programs Fund to be reinvested in accordance with the criteria required by the Corporation's enabling legislation and policies. The transferred funds were derived from earnings and gains realized on past investments by the Corporation.

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The total funds, since inception of the Corporation, which have been made available for investments are as follows:

|   |                    |                     |
|---|--------------------|---------------------|
| Economic Development Administration<br>of the U.S. Department of Commerce ..... |                    | \$ 2,972,000        |
| Commonwealth of Massachusetts .....   |                    | 5,200,000           |
| Gains on sales of equity securities<br>allocated to General Support Fund .....  | \$10,461,800       |                     |
| Portion of gains used for General Support activities .....                      | <u>(3,156,599)</u> |                     |
| Transfers to the Restricted for Investment Programs Fund                        |                    | <u>7,305,201</u>    |
| Total funds made available for investments .....                                |                    | 15,477,201          |
| Losses on investments .....   |                    | <u>(3,685,547)</u>  |
| Restricted for Investment Programs Fund Balance .....                           |                    | <u>\$11,791,654</u> |

**Investments** During the years ended June 30, 1992 and 1991, the Corporation made loans and equity investments in aggregate amounts of \$1,553,064 and \$1,301,257, respectively. The terms of certain notes include an equity participation feature such as rights to convert to stock at a predetermined price or warrants to purchase common stock, in addition to interest due monthly at rates varying from 7% to 13% per year. Repayment of principal is generally due either on demand or in monthly installments ranging from thirty-six to sixty months, commencing six months to five years from the date of the loan. Such principal payments, however, are generally subordinated to the payment of senior debt of the borrowers.



## Notes to Financial Statements

### 3. Investment Programs (CONTINUED)

**Investments** (CONTINUED) A summary of investment activity is as follows:

|   | Notes<br>Receivable | Equity<br>Investments | Total               |
|---|---------------------|-----------------------|---------------------|
| Investments made:   |                     |                       |                     |
| 1980 through 1990 .....   | \$8,190,499         | \$6,485,001           | \$14,675,500        |
| 1991 .....  | 660,000             | 641,257               | 1,301,257           |
| 1992 .....  | <u>961,647</u>      | <u>591,417</u>        | <u>1,553,064</u>    |
| Total investments .....   | <u>9,812,146</u>    | <u>7,717,675</u>      | <u>17,529,821</u>   |
| Conversions of loan principal to equity .....                                 | <u>(1,926,005)</u>  | <u>1,926,005</u>      |                     |
| Less loan principal repayments and equity<br>investment costs recovered ..... | <u>(3,971,201)</u>  | <u>(2,096,496)</u>    | <u>(6,067,697)</u>  |
| Gains on sales of equity securities 1982<br>through 1992 .....                |                     | 10,461,800            | 10,461,800          |
| Allocation of gains to General Support Fund .....                             |                     | (10,461,800)          | (10,461,800)        |
| Losses on investments:  |                     |                       |                     |
| 1983 through 1990 .....   | (1,077,665)         | (1,163,920)           | (2,241,585)         |
| 1991 .....  | (183,957)           | (715,000)             | (898,957)           |
| 1992 .....  | <u>(13,821)</u>     | <u>(531,184)</u>      | <u>(545,005)</u>    |
| Total losses .....  | <u>(1,275,443)</u>  | <u>(2,410,104)</u>    | <u>(3,685,547)</u>  |
| Investment balance, June 30, 1992 .....                                       | <u>\$2,639,497</u>  | <u>\$5,137,080</u>    | <u>\$ 7,776,577</u> |

As of June 30, 1992 and 1991, there were outstanding commitments for loans and equity investments totaling \$932,619 and \$291,739, respectively. In addition, the Corporation had guaranteed bank loans totaling \$30,000 and had posted cash collateral of \$75,000 to secure bank loans as of June 30, 1992.

### 4. Cash, Cash Equivalents and Short-Term Investments

The Corporation maintains operating cash accounts and other short-term investment securities, primarily certificates of deposit, to fund operations and to provide appropriate reserves for the Corporation's investment programs. The cash accounts and other short-term investment securities are allocated to the Corporation's General Support Fund and the Restricted for Investment Programs Fund.

At June 30, 1992, the carrying amount of all of the Corporation's cash, cash equivalents and short-term investments was \$4,612,292, and the balances in financial institutions totaled \$4,704,070. Of the balances with the financial institutions, approximately \$810,000 was insured, \$395,000 was collateralized, and \$3,499,000 was uninsured and uncollateralized, of which \$2,911,000 was on deposit with the Massachusetts Municipal Depository Trust.

## 5. General Support Expenses

The Corporation's General Support expenses for the years ended June 30, 1992 and 1991 were as follows:

|  | 1992               | 1991             |
|--|--------------------|------------------|
| Personnel costs.....                   | \$ 674,224         | \$650,803        |
| Professional expenses .....            | 43,939             | 31,659           |
| Occupancy costs .....                  | 131,315            | 127,971          |
| Office services and supplies .....     | 46,900             | 53,177           |
| Travel, meetings and conferences ..... | 26,331             | 28,060           |
| Publications and advertising .....     | 10,354             | 11,647           |
| Miscellaneous .....                    | 10,236             | 32,746           |
| Subtotal .....                         | 943,299            | 936,063          |
| Lease settlement costs (Note 7) .....  | 75,000             |                  |
| Total expenses.....                    | <u>\$1,018,299</u> | <u>\$936,063</u> |

## 6. Restricted Cash – General Support

The Board of Directors voted to transfer \$2,300,000 and \$500,000 from the General Support Fund to the Restricted for Investment Programs Fund for the years ended June 30, 1992 and 1991, respectively. In addition, during fiscal year 1992, the Directors voted to restrict an additional \$141,563, increasing the total General Support funds restricted for certain investment-related activities to \$1,000,000.

## 7. Office Facility Lease

As of June 30, 1992, the Corporation has a lease commitment for office space extending through May 1997. The agreement provides for base rent plus operating expenses, a five-year renewal option and tax escalation clauses. Minimum base rental commitments under this agreement are \$97,706 for each of the years 1993 through 1996 and \$89,564 for 1997. Rent expense for the years ended June 30, 1992 and 1991 approximated \$124,000 and \$122,000, respectively. In 1992, as part of the buyout of a lease on the Corporation's previous office space, the Corporation made a one-time \$75,000 payment as settlement of the entire remaining obligation under the old lease agreement. The Corporation has no further obligation under the old lease agreement.

## 8. Employee Retirement Plan

The Corporation provides retirement benefits for substantially all employees through a simplified employee pension plan (SEP). The Corporation makes contributions to Individual Retirement Accounts (IRAs) of employees in amounts equal to 10% of an employee's gross annual salary, not to exceed \$15,000 annually. Quarterly contributions are distributed to the eligible employee's IRA at Fidelity Investments. The Corporation has no fiduciary responsibility for these investments.

The Corporation's total payroll for 1992 and 1991 approximated \$547,000 and \$528,000, respectively. Contributions to the SEP were calculated using substantially all of total payroll. Pension expense for 1992 and 1991 approximated \$52,300 and \$52,800, respectively.

## 9. Management Fee Income

The Corporation has an agreement with the Pension Reserves Investment Trust (PRIT), a Massachusetts state employee pension trust, whereby the Corporation will provide investment advisory and management services relative to \$2 million of PRIT assets. The Corporation receives an annual management fee of \$60,000 for its services. In addition, the Corporation is entitled to receive 20% of all distributions resulting from the sale of investments after the original contribution to its investment account of \$2 million has been returned to PRIT. As of June 30, 1992, cumulative distributions returned to PRIT from its investment account totaled approximately \$1,006,000, of which \$334,000 resulted from gains on investments. This agreement expires on March 31, 1996.



# MTDC Board of Directors

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Deloitte & Touche  
Boston, Massachusetts

**Bankers**

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